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The attached translation of the minutes of a meeting on the operation of the state-owned chemical industry is sent to you in compliance with your request.

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German Economic Commission
Main Administration for Chemistry

Berlin, 13 November 1949 [sic]

Minutes of the Meeting of the Main Administration for Chemistry
with the Directors and Deputies of the Federations
of People's-Owned Enterprises
on 12 January 1949, at 1000 hours

Present: The Chief of the Main Administration for Chemistry, Dr. Bertsch
The deputy chief, Mr. Glaser
The Division chiefs of the Main Administration for Chemistry
The directors and deputy directors of the Federations of People's-
Owned Enterprises
Messrs Bakin, Snitzerov, and Gavrilov of the Soviet Military
Administration.

Dr. Bertsch opened the meeting with a greeting to those present and
then requested that the victims of the accident at Gnashwitz be remem-
bered.

In order that the points on the agenda be taken up only after the
arrival of the gentlemen from Karlshorst, Mr. Busse of the organization
office of the Leipzig Trade Fair was requested to give a resume of the
preparations for the Spring Fair and to give a review of the status of
the work.

Mr. Busse mentioned the difficulties involved in the procurement of
materials and requested a new conference on the Fair, to take place on
Friday, 13 January, at Leipzig. Up to now, as the previous conferences
on the Fair have already established, the Main Administration for Mater-
ials Procurement has been unable to provide the materials for the Fair,
so that the Federations themselves must procure the necessary material
in order to have their booths ready for the opening of the Fair.

Shortly after Mr. Busse's report, around 1100 hours, the gentlemen
from Karlshorst, Messrs Bakin, Snitzerov, and Gavrilov, arrived.

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In his welcoming address, Dr. Bertsch pointed out that this was the new year's first session and that the activities during the past year must now be evaluated, and that the tasks of the first part of the two-year plan must be clearly outlined.

He expressed his thanks for the work performed during the second half of 1948 and emphasized that, although the work did not bring about the desired effect, the work of the Federations ~~of~~ and people's-owned plants still had improved every month.

He made a comparison between the months of July and December, stating that production increased by 20 percent during that period. The number of employees also increased by 11 percent. The wages and profits increased by the same proportion, and it can therefore be said that the second half of 1948 brought better results every month and that the two-year plan will therefore be easier to fulfill.

Particular attention must be paid to the production of basic chemicals, because the manufacture of sulfuric acid, sodium carbonate, sodium hydroxide, phosphates and potash ^{have} ~~have~~ a decisive effect on the entire chemical production and because this is the point at which the lever must be applied to raise production.

During the first stage of the two-year plan, not only the individual Federations, but the entire chemical industry will be occupied with the execution of the most important orders, viz. Order No. 192 for the reconstruction of sulfuric acid plants and Order No. 286 for the improvement of our synthesis of fatty acids. A further task for 1949 will be the development of new ways of producing basic pharmaceutical materials. The "Pharma", "Organa", and "Sapotex" Federations are charged with the improvement of the situation in the supply of basic pharmaceuticals.

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The "Coal Products" Federation should work on the improvement of the processing of primary products manufactured at the "Coal Products" plants.

Mr. Suchanek of "Coal Products" interjected that the procurement of the necessary equipment is difficult, and Dr. Bertsch pointed out to him that the collective cooperation which he has always emphasized would certainly enable him to break the bottleneck in the matter of apparatus.

Dr. Bertsch further mentioned the crude-oil bottleneck, and pointed to the possibility of drilling new oil wells, since, according to various information, the possibility of the presence of oil in our Zone exists. The "Coal Products" Federation will, of course, have to be able to arouse the interest of geologists, so that the work can proceed in this field also.

In concluding his introductory remarks Dr. Bertsch observed that the second half of 1948 is now over and that its results can no longer be improved. It is only important to benefit from our mistakes and really arrive at a two-year plan, and to work, above all, on the great problems of the production of sulfuric acid, fatty acids, sodium carbonate, and crude oil. In this connection Dr. Bertsch once more urged the Federations and the people's-owned plants to collective cooperation, and then requested that the agenda be taken up.

The agenda included:

1. Short, comprehensive review of the work of the Federations during 1948, and preview for 1949 (to be reported by the individual Federation directors)
2. Review of the yearly balances of the Federations (Mr. Sy)
3. Discussion of the question of introducing piecework wages in the Federation plants.

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Dr. Bertsch then requested the individual chief directors to give their reports.

Chief director Teml of "Alcid" reported that the main items in their production, sulfuric acid, sodium carbonate, phosphates, potash, etc., have always created difficulties, but that all plants are trying to fulfill the plan. He further reported that the low output of the Stassfurt sodium carbonate plant really was not low, since production was increased by 18 percent over 1945 without the addition of new equipment.

During one "Hennecke Week" at the beginning of 1949 production was increased to 160 tons per day, with a maximum output of 171 tons per day.

There is still the problem of obtaining compressors. A financial arrangement would be necessary to obtain the compressor available at the firm of Simag in Westfalen, and the transport question would have to be examined. However, there is now also a factory in our Zone, at Greiz, which is about to cast a compressor. The blueprints were supplied by the Stassfurt soda plant.

Mr. Teml pointed out that the production of sulfuric acid has increased steadily, but the sulfuric acid problem is not solved by the casting of vertical shafts alone. The most important point, however, namely to find firms in our Zone who are willing to carry out this task, has been settled.

Mr. Teml also mentioned that the people's-owned plant at Heinrichshall is performing pioneering work in the phosphate field by attempting to produce phosphates without using sulfuric acid. This example shows that one can help oneself without the use of bureaucratic means.

Dr. Bertsch thought that rotary furnaces which are used for this purpose surely must be lying idle in other chemical or food-processing

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The sales problems are exclusively responsible for this.

Despite great difficulties, "Organa" was very successful in lowering the accident rate in the production of explosives. It decreased by 76 percent. Despite difficulties, costs were lowered by 0.2 percent.

Mr. Duebler further cited the tasks for 1949 as the following:

Completion of the Salvarsan plant at Fahlberg-List

Assuring the production of sulfuric acid at Fahlberg-List

Completion of the tests for the production of glycerine at "Lactacida", and relocation of the production to "Lignose", a move necessitated by the accident at Gnaschwitz, in order to prevent a loss of production for mining purposes.

Concerning piecework wages Mr. Duebler said that requests have not yet been submitted to the proper Labor and Social Welfare Offices by the "Organa" Federation, but that in individual plants accounting is to be done on the basis of piecework wages, because their production is simple.

In the production of explosives, this type of wage payment creates difficulties, since the Safety Offices are against it, especially after the Gnaschwitz accident.

Then ~~Mr.~~ Suchanek of "Coal Products" was asked to report.

He stated that those plants which are very greatly dependent on the supply of raw materials failed to fulfill their plan, because the necessary raw materials were not available in sufficient quantity. The other plants in the "Coal Products" Federation, which receive their raw materials from our Zone, went over their production quotas. These are, e.g., the following plants:

Boesdorf

Mittelbach

Nordhausen

Erkner

Dessau

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The Luetzkendorf plant itself was able to increase its production of synthetics to 113 percent of the monthly quota, in November even to 119 percent, and reached its maximum in December with 172 percent.

Mr. Suchanek then mentioned the problem of processing, which requires the most attention. He announced that a conference with the experts in this field will take place on 26 January 1946. In order to be fully able to fulfill the two-year plan, Mr. Suchanek believes that a generator unit will be necessary, but there are material and financial difficulties involved in its procurement.

As he further stated, the people's-owned plant at Herrenleite, like Luetzkendorf, intends to take up the production of paraffine, in order to obtain fatty acids from it.

Herrenleite, however, is not going to use metal apparatus, but will work on the construction of the project in glass or porcelain.

The people's-owned plant at Erkner achieved a production increase from 674 tons to 1318 tons of phenol from coal tar distillation during the second half of 1948; i. e., production was doubled.

Partial introduction of piecework payment will be ~~applied~~ made at first in the "Coal Products" Federation plants. Its introduction in the synthetics department as the first step is being considered. Calculating of the production quotas will probably be very difficult.

Following this report, Dr. Mueller, chief director of the "Sapotex" Federation, was requested to give his report. He stated:

"From the business point of view, I can be very well satisfied with the work of "Sapotex". While the sales in the first half of 1948 amounted to DM 46.8 million, they reached more than DM 57 million during the second half, and thus our profits also increased. Exact figures on this are not

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yet available, but certainly they will not be less than those for the first half of 1948.

"If we are not satisfied with our accomplishments, this can be attributed to the fact that we are aware that this favorable development resulted only because a few departments not only fulfilled their quotas but exceeded them by 200 percent or more. These are departments which have quite a bearing on our financial status, but which are not as important for the national economy as the departments which unfortunately failed to fulfill their quotas. This applies especially to the soap and cleansing agents department. Our soap quota was only 46 percent fulfilled. The reasons for this were reiterated during the monthly conferences.

"Only 22.2 percent of the amount of synthetic fatty acids ~~more~~ we requested was allotted to us, and we did not even receive this amount in full. We received only 17.4 percent of the synthetic fatty acids required, and this is the cause of our failure to fulfill our quota in soap production.

"You know that the paraffine oxidizing plant at Rodleben started operations in December. Perhaps a short review of the production there will be interesting. The last report which I have covers the period up to 8 January. Naturally, in such a large plant, which could not always be built from the best materials, the beginning of operations would show the presence of a number of "bugs". But, contrary to our expectations, the difficulties were not even as great as we had first assumed.

"Up to 8 January 120 tons of paraffine had gone through the plant. The filtration station, the two oxidizers, the waste gas scrubber, the oxide scrubber and the saponification plant work flawlessly. The UV [sic] furnace has just begun operation. I do not know any details at this

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moment.

"It is expected that continuous soap production will not be started for another two weeks, and it will thus be the beginning of February before the ~~plant~~ set output of the plant can be expected. Work on the second section of the plant is being pushed at high pressure, and we hope that this section will be finished in time to have a not inconsiderable effect on the 1949 soap production.

"The production of washing powder could be met only to 88.6 percent. Here, too, the reasons are known. We were allocated only 81.7 percent of the required soda, and actually received only 70 percent of the requirement.

"The second great difficulty in production of washing powder is the lack of cardboard and treated paper. We received only 72 percent of the cartons required and only 27 percent of the cardboard. We are attempting to alleviate the difficulties in regard to raw materials and also in regard to the wrapping materials by the introduction of a concentrated washing powder.

"Tanning agents were produced only to 52 percent of the quota. Here, too, raw materials difficulties were to blame. We received only 1.4 percent of our requirements of vegetable oils and fats.

"I shall now take up the departments which performed better and thus had a favorable effect on our total output:

"The quota for the production of chemicals for textile production was fulfilled by 109 percent, the quota for perfumes and cosmetics by 138 percent, insecticides by 200 percent, disinfectants by ~~200~~ 216 percent.

"The following is to be said about piecework wages: We have taken the attitude from the start that full supply of raw materials is a prerequisite for its introduction, because the greater productivity which is to be achieved through the introduction of piecework wages cannot otherwise cause increased production. Not all ^{parties} ~~sides~~ have agreed with this

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opinion, and we were therefore extraordinarily pleased to find the article in the newspaper agreeing with us. Nevertheless, preparations have been made in all plants; e.g., the soap factory in Doebeln ~~intends~~ introduced piecework payment in its washing powder packing department on 1 January 1949. A test in December resulted in a production increase of 26 to 25 percent. Group quotas were carefully established and introduced.

"The German Hydrogenation Plants at Rodleben have set up quotas for 44 different production departments. After checking by the Federation, 15 departments can begin payment on a piecework basis. Rodleben already has introduced progressive wage payment in the storing of paraffine sludge for other accounts, in the fat-hardening department, and in the paint work in the PO [sic] (TN: paraffine oxidation?) plant. Shift quotas have been established for 14 production departments of the Halle soap factory.

"The Persil plant at Genthin has been using a bonus system of wage payments for the past five months. The piecework payment to be introduced there must first be checked by the Federation.

"The Doelau Chemical Plant had introduced a bonus system in the soap department without the permission of the Federation. The quotas were not set with enough care, and the system has been abolished again.

"The "Fettchemie" and "Fewa" plants at Chemnitz are preparing for the introduction of piecework payment in the packing department for powdered shampoos."

Mr. Sy reported on the financial status. He stated, as Dr. Bertsch had previously mentioned, that only an approximation of the financial results could be given, since the final financial statement on the Chemical Industry during 1948 would not be available until the end of March or the beginning of April. It can be assumed, however, that with sales of DM 450 million, net profits for 1948 would amount to about DM 5 million.

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As compared to the sales, this profit is only about one percent, which is very low. But on the basis of the known conditions which prevail in the chemical industry we ought to be glad to be out of the red. However, it must be mentioned that the industry did not become solvent entirely under its own power, but only due to the payment of considerable subsidies. Rather small subsidies were paid for the production of sulfuric acid, very large ones for the "Potassium and Salts" and "Coal Products" Federations. For 1949 no subsidies will be paid to the potassium plants, since the prices were raised correspondingly on 1 January and a slight improvement in plant profits could be achieved, so that it can be assumed that the "Potassium and Salts" Federation will operate at a profit during 1949. The "Coal Products" Federation will remain our greatest worry, because for known reasons the Fischer-Tropsch process is never economical.

Mr. Treske again took up the subject of piecework wages and explained:

The introduction of progressive piecework wages was not carried out solely on our initiative. It was suggested by the German Economic Commission, Industry Section, and also by the chief of the German Economic Commission, Mr. Rau. The dangers which can appear in the introduction of progressive piecework wages soon became clear. They consist mainly of a requirement which is of great importance and which was not always given sufficient attention: The progression should be paid only from the savings accrued from the increased production. For that reason it was requested as a ^{general} ~~regulative~~ -- not restrictive -- measure that the payment of piecework wages should primarily be introduced where there are bottlenecks, and where there is a possibility of eliminating the bottlenecks by this method of payment. That does not mean, however, that progressive piecework payment can be introduced only where bottlenecks exist. It can be introduced where clear and correct quotas have been set, and where increased production will decrease the overhead.

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The third requirement is to pay the progression only from savings, in such a way that some of the savings are left for the payment of progressive bonuses and for improvement of social measures. All Federations and plants should, by all means, not only give their attention to the establishing of quotas, but they should speedily introduce those quotas. These quotas must not be introduced on the basis of estimates, or on the basis of the production recorded over the last three or four months. ~~For~~ In conjunction with these general regulations, the work must be checked according to the generally accepted management methods. This, basically, has been included in the directives which were issued to the plants during our conference of 26 November. At that time I stated that this regulation must still be complemented. The complements were really only two points; ~~first~~ ~~namely~~ that the establishment or introduction of progressive piecework wages must take place only in agreement with the Ministry of Labor and Social Welfare of the individual Land. The second point concerns limitations or more exact definitions for the establishment of the quotas themselves. This second general directive was given to the Manpower Division of the Soviet Military Administration five weeks ago. They have informed me by telephone that they have no objections to these directives. However, they have not yet returned these directives to us, so that they could not be issued to the Federations and plants.

In conclusion I should like to state that the establishment of the quotas is the essential point in the introduction of progressive piecework wages, and that their introduction must not cause an increase in overhead or cost price. But these things have been pointed out emphatically in our meetings. They represent no new requirements, but they must be followed by all means, something which has not been done in all cases. The Federations must see to it that these points are always given attention.

Most of those present took part in the discussion which followed,

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and Mr. Bakin explained the measures to be carried out for the introduction of piecework payments and went into detail on the question of safety measures and fire protection in the plants.

At the end of the first part of the conference, Mr. Glaser explained the investment plan, which was distributed by Mr. Huetter at the ~~beginning~~ beginning of the meeting, and mentioned that the sums cited are to be used exclusively for new construction and not for repairs.

Mr. Glaser requested the speediest supplying of data on the utilization of these investments, so that the Finance Division of the Soviet Military Administration can be given the necessary information.

The gentlemen from the Soviet Military Administration left at the beginning of the noon recess, around 1400 hours, while after lunch the point "Miscellaneous" of the agenda was taken up by the chief directors and the gentlemen from the Main Administration for Chemistry.

The meeting was closed around 1730 hours.

/signed -- Dr. Bertsch/

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